No. 93-290

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

Supreme Court, U.S.
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SNYDER INDUSTRIES, INC.,

Petitioner,

v.

THE HEIL COMPANY,

Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

A patent is invalid if a competing claimant reduced the invention to practice before the patent holder, by constructing the invention and demonstrating that it works for its intended use. The Patent and Trademark Office, the agency charged with administering the patent laws, looks to the entire record developed during its proceedings to determine the intended use of the invention (in this case, as a refuse container). The question presented is whether the Federal Circuit erred in concluding, contrary to precedent, that the agency's consideration of intended use is instead limited to a description of the item (in this case, a "portable molded container") composed by the Office itself at the outset of the proceeding.

LIST OF PARTIES AND RULE 29.1 LIST

The named parties to the proceedings below are indicated in the case caption. By virtue of a sale of Snyder Industries, Inc. and an associated patent assignment during these proceedings, SPE, Inc. is the real party in interest rather than named petitioner Snyder Industries, Inc.

Snyder Industries, Inc. is wholly owned by LMP Holding Co., a Delaware corporation, and has no subsidiaries to list pursuant to Rule 29.1.

SPE, Inc. has no parent companies or subsidiaries to list pursuant to Rule 29.1.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Snyder Industries, Inc. respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit, entered in the above-captioned proceeding on February 17, 1993.

OPINIONS BELOW

The judgment and opinion of the Court of Appeals for the Federal Circuit is not reported. It is reprinted in the appendix hereto ("App.") at 1a.

The memorandum decision of the United States District Court for the District of Nebraska (Urbom, D.J.) has not been reported. It is reprinted at App. 11a.

The decision of the Patent and Trademark Office Board of Patent Appeals and Interferences is not reported. It is reprinted at App. 31a.

JURISDICTION

Invoking federal jurisdiction under 35 U.S.C. § 146, respondent brought this suit in the United States District Court for the District of Nebraska seeking review of the decision of the Patent and Trademark Office Board of Patent Appeals and Interferences ("the Board") awarding priority of invention to petitioner. On December 6, 1991, the district court affirmed the Board's decision in all respects. App. 10a.

On respondent's appeal, the Federal Circuit on February 17, 1993, reversed the district court's affirmance of the Board's decision holding that petitioner was entitled to priority, and thus found that petitioner's patent was invalid under 35 U.S.C. § 102(g). App. 1a. Petitioner filed a timely Petition for Rehearing and Suggestion for Rehearing in Banc on March 3, 1993. The petition and the suggestion were denied on April 26, 1993. App. 8a. On July 13, 1993, the Chief Justice entered an order extending the time within which to file a petition for certiorari to and including August 24, 1993. App. 46a.

Certiorari jurisdiction of this Court to review the judgment of the Federal Circuit is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

35 U.S.C. § 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

* * *

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

35 U.S.C. § 135. Interferences

(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Commissioner shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability.

* * *

STATEMENT OF THE CASE

A patent is obtained by filing an application in the United States Patent and Trademark Office. The ap-

plication must contain a specification, which describes the structure and operation of the invention; one or more claims, which delineate in legal terms what the applicant regards as the invention; a drawing (where necessary), to facilitate understanding of the subject matter; and an oath or declaration that the applicant believes himself to be the first inventor. The specification must describe the invention in terms sufficiently clear to enable those skilled in the art to "make and use" the invention. 35 U.S.C. § 112.

In this case, petitioner Snyder Industries, Inc. ("Snyder") filed an application for a patent on February 22, 1982. The application covered a portable molded refuse container having a hinged lid and a novel "hinge-handle" assembly wherein a rod performs a dual function as a lid hinge component and container handle. The application made no reference to a general purpose utility but instead designated "refuse collection" as the intended use of the container. In fact, as the application showed and the evidence later confirmed, Snyder developed the new container to provide a simplified design that would withstand heavy-duty handling by refuse trucks that automatically lifted it, dumped its contents, and replaced it on the ground. *See, e.g.*, Ct. App. JA at A776, A784-785, A954.

On September 22, 1982—seven months after Snyder had filed—respondent The Heil Company ("Heil") filed an application on the same invention. In its specification, in its claims, and in later testimony, Heil repeatedly and explicitly stated that the container was intended to be used for refuse collection. *See, e.g.*, App. 12a-13a, 20a; Ct. App. Br. for Appellee at 9-10. Snyder was awarded the patent on May 29, 1984.

Two years later, the Board declared an "interference" under 35 U.S.C. § 135. The purpose of an interference proceeding is to resolve the question of priority when two parties seek a patent on the same invention. "The *starting point* for declaring an interference is [a form] filled out by the examiner. Thus, in the first instance, the examiner indicates the count * * *."[1] The count corresponds, either identically or substantially, to one or more claims of the parties, and is intended as a description of the invention.

Thus, in this case, the examiner drafted a "count", later adopted by the Board, that was modeled after one of Snyder's claims and against which the interference would be judged. As is common practice, the count did not specifically mention the use intended for the invention.

One of the ways a patent claimant can win the priority contest is by showing that he actually reduced the invention to practice before the other patent claimant has done so. An actual reduction to practice requires a construction of the invention and a demonstration, typically by testing, sufficient to show operability of the invention for its intended purpose.[2] Here, Heil claimed to have reduced its invention to practice before Snyder. Heil had completed a mock-up container, but following the submission of oral testimony, documentary exhibits and briefs, and after arguments by counsel at a final hearing, the Board ruled that the mock-up was not a reduction to practice

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[1] *Orikasa* v. *Oonishi*, 10 USPQ 2d 1996, 2005 (Comm'r Pat. & Tm. 1989) (emphasis added).

[2] *See, e.g., Newkirk* v. *Lulejian*, 825 F.2d 1581, 1582 (Fed. Cir. 1987).

because it had not been tested sufficiently to show operability for its intended purpose—refuse collection. In granting priority to Snyder, the Board concluded:

> [T]he record fails to establish that the [Heil] mock-up was sufficiently tested for utility under conditions of actual use to constitute a complete reduction to practice.* * * Clearly, the subject invention was designed to ultimately serve as a refuse container. While the "mock-up" evidently was maneuvered around by grasping its hinge rod-handle, and its lid was apparently opened and closed, there is no evidence that it was ever actually tested to determine whether it could be filled with refuse and subsequently inverted to empty refuse out. [App. 36a.]

Thus, the Board did not stop at consideration of the count, which its own examiner had drafted, but instead looked to the entire record to determine what use was intended and whether the mock-up met the requirements of that use. The count was only "[t]he starting point" for the Board's consideration. *See Orikasa* v. *Oonishi*, 10 USPQ 2d at 2005.

Heil brought this action under 35 U.S.C. § 146 in the United States District Court for the District of Nebraska, seeking reversal of the Board's decision. Based on the record before the Board and additional evidence adduced at trial, the district court affirmed the Board in all respects. It held that "[n]o evidence has been submitted to counter [the Board's] holding regarding testing of the mock-up container." App. 21a.

> Heil correctly asserts that the count does not specify any particular intended purpose. Rather, the count merely describes a "container." However, [Heil's] specification establishes that the invention was intended primarily as a refuse container. (DX-55). In particular, every section of the specification makes reference to a "plastic refuse container"; the specification contains a minimum of 29 such references. The very first sentence in the specification states: "This invention relates to plastic refuse containers and, more particularly, to plastic refuse containers assembled by retailers for sale." Furthermore, every numbered claim in the specification refers to a "plastic refuse container."
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> In light of these indicia, the Board correctly required testing to show operability as a refuse container before the invention could be reduced to practice. Based upon the evidence before it, the Board concluded that such a showing had not been made. [App. 20a.]

Thus, the record was replete with undisputed evidence that both Heil and Snyder intended from the outset that their claimed inventions would be used as refuse containers with automated refuse collection equipment, and there was no evidence that any other use was intended.[3]

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[3] The district court also affirmed the Board's holding that the invention of the count was unpatentable to Heil under 35 U.S.C. § 102(b) due to offers for sale of the invention by both Snyder and Heil more than one year before Heil's application filing date.

The Federal Circuit reversed the decision of the district court (and the Board) that Snyder was entitled to prevail on priority. Although neither party affirmatively argued in its appellate briefs that Heil's mock-up was a reduction to practice, the Federal Circuit, applying a *de novo* standard of review, *sua sponte* held that the mock-up constituted a reduction to practice of the invention of the count prior to Snyder's constructive reduction to practice. Consequently, the Federal Circuit found Snyder's patent invalid under 35 U.S.C. § 102(g).

It did so by confining its consideration of intended use to the count and ignoring Heil's patent application, Snyder's patent, the entire record developed before the Board and the district court, and the explicit factual findings of the Board and the district court to the effect that the intended practical utility of the invention was not as a general purpose container but rather as a refuse container suitable for use with automated refuse collection equipment.

> The count defines the invention only as "a portable molded *container*" (emphasis added). "[L]imitations not clearly included in a count should not be read into it." Here, the Count was limited merely to a "container," without any reference to use as a *refuse* container. The [district] court thus erred in reading such a limitation into the Count.
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> Snyder, the senior party patentee, asserts that when a count does not state for what purpose an invention will be used, "the courts

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This ruling was upheld by the Court of Appeals and is not at issue here.

look to the record" to determine the intended use. However, the courts look beyond the count only "when there are ambiguities inherent in the claim language or obvious from arguments of counsel." [App. 3a; citation omitted; emphasis in original.]

REASONS FOR GRANTING THE WRIT

The decision below is in conflict not only with Federal Circuit precedent but also with several of this Court's landmark decisions concerning the respective roles of administrative agencies and reviewing courts. If allowed to stand, the decision below will work a major transformation in the administration of the patent system. Congress has expressly vested in the Board of Patent Appeals and Interferences the responsibility to determine the priority of inventions. 35 U.S.C. § 135(a). The Board carries out this delegated responsibility by conducting "interference proceedings" in which the competing claimants present their respective cases. The proceedings begin with the framing of an "interference count," drafted by the Patent Office's own examiner, which describes the invention at issue. While the Board generally looks to the count to determine what the subject invention is, it looks to the entire record developed during its proceedings to determine the intended use of the invention defined by the count. The Board then considers whether the party claiming prior reduction to practice of the invention has adequately demonstrated that the invention will work for this intended use.

The Federal Circuit, however, now has ruled that the Board may not go about its business in this long accepted manner. According to the decision below,

the Board may not look to the entire record in ascertaining intended use, but instead is restricted to the count itself—a Board construct designed for an entirely different purpose. The Federal Circuit cited no statutory support for this judicially-created exclusionary rule, which is contrary to precedent from the Federal Circuit and its predecessor court, the Court of Customs and Patent Appeals.

The decision below will require the Board to alter its procedures in a dramatic fashion, since so much more will now turn on the drafting of the count itself, which occurs *before* the evidentiary proceeding—including discovery—even takes place. The court below has thus imposed an Alice-in-Wonderland regime on the Board, which must now decide the key issue of intended use at the very outset of the interference proceeding, ignoring evidentiary developments that otherwise would affect its determination of this issue. This leads to absurd results, such as the one in this case, where the Federal Circuit decided the issue as if the competing inventors were fighting over who first reduced to practice a general purpose hinge-handle container, rather than what any fair review of the *record* confirms the case is actually about—containers specifically designed and intended for refuse collection. The ruling below will also lead to the indefensible result that interference proceedings and patent validity determinations in infringement actions concerning the same patent and based on identical facts will come out differently, because counts are not involved in infringement proceedings and the decisionmaker is thus not artificially restricted to such a count in ascertaining intended use.

Although the impact of the decision below on the patent system would be reason enough to grant certiorari, the case is significant beyond the patent context. The ruling below conflicts with this Court's precedents holding that federal courts do not have the authority to impose on executive branch agencies procedural requirements that have not been specified by Congress or mandated by the Constitution. Congress gave the Board the responsibility to determine priority, and left it to that expert agency to devise the procedures for doing so. The Federal Circuit should have deferred to the Board's reasonable interpretation of its own responsibility under the statutory delegation of authority, *see Chevron U.S.A., Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), and should not have imposed procedural requirements on the Board that Congress did not see fit to impose. *See Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). This Court should grant certiorari to confirm that these basic principles of administrative law apply to the Federal Circuit.

I. The Decision Below Will Transform Administration Of The Patent System

The Constitution authorizes Congress to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8, cl. 8. As part of its exercise of this authority, Congress has vested in an executive branch agency—the Board of Patent Appeals and Interferences of the Patent and Trademark Office—the responsibility to determine the priority of inventions. 35 U.S.C. § 135(a). Included within that delegated

grant of authority is the responsibility to determine reduction to practice, a pertinent factor in assessing priority of invention under 35 U.S.C. § 102(g).

The Board carries out this responsibility by conducting interference proceedings, which commence with the drafting of an interference count by a Patent Office official. The interference count describes the subject invention and sets the stage for proceedings to decide the claim of one of the competing inventors that he first reduced the invention to practice. As the Federal Circuit has explained:

> Although the claims of one or more of the parties may be identical to the count of an interference, the count is not a claim to an invention. The count is merely the vehicle for contesting the priority of invention and determining what evidence is relevant to the issue of priority. [*In re Van Guens*, 988 F.2d 1181, 1184 (Fed. Cir. 1993) (citations omitted).]

See also In re Kroekel, 803 F.2d 705, 709 (Fed. Cir. 1986); *Case* v. *CPC International, Inc.*, 730 F.2d 745, 749 (Fed. Cir.), *cert. denied*, 469 U.S. 872 (1984).

One of the key issues in interference proceedings is testing to determine operability for intended use. As the Board indicated below, "[t]o establish a reduction to practice, it must be shown that the invention was tested for its intended purpose under conditions normally encountered in actual use * * *." Pet. App. 37a.[4] Thus, if the subject invention de-

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[4] The significance of intended use in the patent system dates back to the Constitution, which authorizes Congress to "promote

scribed in the count is a lighter-than-air vehicle with carrying capacity, an inventor tying a toy basket to a helium balloon has not reduced the invention to practice if the intended use was as a dirigible to transport people and goods.

In ascertaining intended use, the Board does not restrict its consideration to the interference count, which was designed for the very different purpose of commencing the proceedings by defining what the invention is—not what it is to be used for. If the intended use of the invention is not set forth in the count, the Board looks to the entire record to discern what the intended purpose was. The issue, after all, is the reduction to practice of a particular invention, not the reduction to practice of an abstract Board creation known as a "count."

The decision of the Federal Circuit below bans this long established approach. Under the new Federal

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the Progress of Science and useful Arts," U.S. Const. Art. I, § 8, cl. 8, and the requirement of usefulness (utility) has remained with the Patent Act throughout its history. 35 U.S.C. § 101 describes patentable subject matter as "any new and *useful* process, machine, manufacture, or composition of matter, or any new and *useful* improvement thereof" (emphasis added). Use becomes vital in some instances in determining whether a new machine, device, or improvement has in fact been created, and thus whether it is patentable. *See* P. J. Federico (Examiner-in-Chief, U.S. Patent Office), *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 17 (1954 ed.). Absent an actual demonstration that an embodiment relied upon as a reduction to practice will work for the purpose intended by its inventor, there has not been "sufficient progress in the direction of getting the invention into the hands of the public" to consider the invention complete. *Fitzgerald* v. *Arbib*, 268 F.2d 763, 768 (C.C.P.A. 1959) (Rich, J., concurring).

Circuit rule, if the intended use is not specified in the count itself, the Board may not supply it by reference to the record. The Federal Circuit rule requires the Board to ignore reality with respect to intended use and to base its decision on an abstraction created by the Board itself, which the Board believes is inadequate for purposes of discharging its statutory responsibilities. Under this new exclusionary rule, the Board is forbidden to consider record evidence that it believes necessary to reach a correct result under the statute.

There is no dispute that the Federal Circuit has the authority to review interference decisions of the Board, either through direct review, *see* 35 U.S.C. § 141, or—as here—on review of a district court judgment in an action challenging a Board determination. *See* 35 U.S.C. § 146. It is important to recognize, however, that such review is *not* what is at issue here. The Board determined that Heil had not tested the subject invention for use as a refuse container, and the district court agreed. The court of appeals did *not* disagree. Instead, the appellate court used its authority to review the substance of a Board ruling to pass upon the internal procedures the Board employed in reaching its decision. The court held that the Board should have asked a different question—whether Heil tested the subject invention for use simply as a container—and then the court proceeded to answer that question itself. The court ruled that *its* question was the pertinent one, because the Board should follow a procedure of looking only to the count the Board drafts in deciding the intended use of an invention, to the exclusion of the record the Board compiles.

The more fundamental question therefore is not whether the Board was right or wrong in its substantive ruling, but instead whether the Federal Circuit has the authority, in the absence of any statutory grant, to transform the procedures the Board has chosen to employ in discharging the responsibility delegated to it by Congress.

The impact of the decision below on the administration of the patent system will be clear and direct. The Board will no longer be able to view its own count as simply the starting point for discharging its statutory responsibilities—a definition of what the invention is, not what it is to be used for. Instead, the formulation of the count will be the critical step in the Board's process of deciding intended use—a step the Board must now take at the outset of the interference proceeding, before it has all the information it believes it needs.

There is a further reason why the court of appeals was in error. When, as in this case, a person claiming priority seeks review in a district court, the governing statute makes it explicit that the record before the Board can be supplemented by further record evidence developed in the district court.[5] This provision makes no sense if *neither* the record before the Board *nor* the additional record developed in district court are even to be considered on the key question of

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[5] 35 U.S.C. § 146 provides that in a civil action in district court following a Board decision, "the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony."

intended use. Congress could not have envisioned that records be developed to no avail—that after all the testimony and exhibits have been submitted, they must then, by force of law, be ignored on a critical issue before the decisionmaker.

The regime mandated by the decision below harkens back to the Dickensian age, when issues of substance were won or lost depending on the particular form of action under which they were pled at the outset of the proceeding. Here any fair review of the record confirms that the entire dispute between the parties was over a molded plastic container for use in refuse collection. Each entity that looked to the record—the Board and the district court—had no trouble reaching that conclusion. Only by employing a judicially-created exclusionary rule requiring ignorance of the record, and looking solely to the count, was the court of appeals able to regard the case as one simply about containers. The result is very similar to an ancient common law court dismissing a suit in which the trial clearly established a redressable injury because, regardless of what the record established, the suit was brought as an action for trespass when it should have been brought as an action on the case, or as trover when it should have been brought as detinue. Although the Patent Office presumably could adopt such an arcane system of pleading, it has not, and the Federal Circuit lacks the authority to require it to do so.

The Federal Circuit's alteration of the Board's internal procedures will have a significant impact on the substantive law of reduction to practice. Interference counts are drafted broadly to define a common patentable invention. This makes sense given the

use of the counts by the Board to initiate interference proceedings. If the counts are now also to be the exclusive source of evidence of intended use, however, the result will be that intended use will routinely not be a significant factor in proving reduction to practice, because the count itself will often not contain a statement of intended use. As a result of the Federal Circuit's ruling, claimants in such cases will be able to prove reduction to practice without showing testing of the invention for its intended use—a result flatly inconsistent with the patent system's focus on "*useful* Arts." U.S. Const. Art. I, § 8, cl. 8 (emphasis added). *See* note 4, *supra*.[6]

Given the foregoing, it is not surprising to learn that the decision below is in sharp conflict with other decisions from the Federal Circuit and its predecessor court. In *DSL Dynamic Sciences, Ltd.* v. *Union Switch & Signal, Inc.*, 928 F.2d 1122 (Fed. Cir. 1991), for example, the court stated that "proof of actual reduction to practice requires a showing that 'the embodiment relied upon as evidence of priority actually worked for its intended purpose,'" explaining that "[t]his is so even if the 'intended purpose' is not

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[6] The result of the decision below is to place critical weight on whether intended use is stated in the interference count, even though there is no requirement that patent claims or interference counts contain a statement of intended use. Indeed, even when a claim or count does state an intended use, the statement may be ignored when the claim or count is construed. *See, e.g., Marston* v. *J. C. Penney Co.*, 353 F.2d 976, 986 (4th Cir. 1965), *cert. denied*, 385 U.S. 974 (1966); *Corning Glass Works v. Sumitomo Electric*, 868 F.2d 1251, 1257 (Fed. Cir. 1989).

explicitly set forth in the counts of the interference." *Id.* at 1125. This statement of the law cannot be reconciled with the approach of the panel below, which refused to look beyond the count to ascertain the intended purpose of the invention.

The understanding of the law reflected in the *DSL* decision was hardly novel. Among the authority cited by the *DSL* court was *Burns* v. *Curtis*, 172 F.2d 588 (C.C.P.A. 1949). In *Burns*, the court described the invention as "a liquid pump assembly which is primarily designed for feeding fuel to airplane engines, although the counts are not expressly limited to such use." *Id.* at 589. The court held that there was no reduction to practice when the pertinent testing failed to demonstrate satisfactory use on airplane engines, even though "the counts are not limited to airplane systems." *Id.* at 590. The *Burns* court cited a prior precedent, *Chandler* v. *Mock*, 150 F.2d 563 (C.C.P.A. 1945), as holding that "a fuel supply means for a carburetor was not reduced to practice without actual tests in an engine, even though the interference count was not limited to use with an engine." 172 F.2d at 590.

A substantial body of precedent is to the same effect. In *Knapp* v. *Anderson*, 477 F.2d 588 (C.C.P.A. 1973), the count did not specify any use for the invention—a lubricating composition—and the party alleging reduction to practice asserted it had shown sufficient utility of the composition for dispersing sludge. The court rejected the argument, noting that "[t]he *record* makes it clear that such was not an objective of the * * * research." *Id.* at 590 (emphasis added). The intended use was use in internal combustion engines, and even though that use was not

specified in the count, the court concluded that the "test results must prove that the invention will perform satisfactorily in that intended setting." *Id.* Since they did not, the court found no reduction to practice.

The court reiterated the established rule in *Landon* v. *Ginzton*, 214 F.2d 160, 164 (C.C.P.A. 1954) (emphasis supplied):

> The law is also clear on the point that it is proper for the board in an interference not only to take into consideration all of the elements recited in the counts but also the statements *in the specification* which shed light upon the purpose and intentions as to the structures defined by the counts.

In *Landon*, the court applied the rule and looked beyond the count to the specification in concluding that an invention was not reduced to practice. In the present case, the district court noted that "the [Heil] specification contains a minimum of 29" references to a "plastic *refuse* container." Pet. App. 20a (emphasis supplied). Only by overturning the rule in *Landon* and the other cited cases could the Federal Circuit below conclude that the intended use of the subject invention was simply as a general purpose container, rather than a refuse container.[7]

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[7] The court below relied on *DeGeorge* v. *Bernier*, 768 F.2d 1318 (Fed. Cir. 1985), and *In re Spina*, 975 F.2d 854 (Fed. Cir. 1992), in support of its new rule requiring the Board of Patent Appeals and Interferences to limit its consideration to the count, to the exclusion of the record. Pet. App. 3a. Neither case mitigates the lower court's departure from established precedent that the panel below chose not even to address. In fact, *DeGeorge* and *Spina* did not involve reduction to practice issues at all,

We recognize, of course, that this Court generally does not exercise its jurisdiction on certiorari to resolve intra-circuit conflicts. At the same time, the fact that the Federal Circuit has exclusive jurisdiction in this area means that the development of an inter-circuit conflict is not a possibility. It also means that one of the principal reasons the Court generally need not consider intra-circuit conflicts—the prospect that the development of the law in other circuits may cause a court of appeals to address and resolve an intra-circuit conflict—is inapplicable.

This Court does in fact grant certiorari to review Federal Circuit decisions in the absence of an inter-circuit conflict where the question presented implicates important national interests and affects ongoing programs. *See, e.g., Cardinal Chem. Co.* v. *Morton Int'l, Inc.*, 113 S. Ct. 1967, 1971 (1993) ("Because the Federal Circuit has exclusive jurisdiction over appeals from all United States District Courts in patent litigation, the rule that it applied in this case * * * is a matter of special importance to the entire Nation. We therefore granted certiorari"); *Eli Lilly & Co.* v. *Medtronic, Inc.*, 496 U.S. 661 (1990); *United States* v. *Fausto*, 484 U.S. 439 (1988). What is significant here, as in the cited cases in which this Court has granted certiorari, is that the decision of the Federal Circuit will have direct impact on the functioning of an important ongoing national program. Given the exclusive jurisdiction of the Federal Circuit, only this Court is in a position to consider such decisions *before* they alter such a program. The decision in this case will work a fundamental transformation in the admin-

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but rather count construction in the quite distinct "enablement" and "right to make" contexts.

istration of the patent system, and such a change should not go into effect without review by this Court.

Congress has recognized the significant impact that judicial review of a Board decision in an interference case can have on administration of the patent system, and has accordingly provided for participation by the Commissioner in such cases. While the Commissioner is not a necessary party in a district court action brought to overturn a Board decision, "he shall be notified of the filing of the suit by the clerk of the court in which it is filed and shall have the right to intervene." 35 U.S.C. § 146. There was no need for the Commissioner to intervene in this case because the broader significance of the litigation became clear only with the Federal Circuit's unanticipated ruling altering the Board's internal procedures.

In addition to distorting the Board's internal procedures, the decision below will also lead to an intolerable inconsistency in the patent system. The validity of patents may be decided either in an interference proceeding, as here, or outside of an interference context, such as in an infringement action or an action for a declaratory judgment of patent invalidity. Whether a particular patent is valid obviously should not turn on which proceeding is invoked to test validity. The decision below, however, leads directly to just such a situation.

As noted above, this case would have come out differently if patent validity had been decided in an infringement, rather than an interference, context. Since there are no counts in infringement actions, the fact-finder must necessarily look to the entire record to determine intended use, and here the record admittedly would have shown that refuse collection was

the intended use, and that Heil had not demonstrated that its container worked for that purpose. Yet because this dispute happened to arise in an interference proceeding, the Patent Office could not, in the Federal Circuit's view, look to the record but was instead confined to the count. The result is that Snyder's patent is invalid if challenged in the interference proceeding, but valid if challenged in an infringement action—on the same facts, with the same participants. This dichotomy is without rational basis.

II. The Decision Below Conflicts With This Court's Precedents Governing The Relation Between Reviewing Courts And Administrative Agencies

The decision below also has broad jurisprudential significance even beyond its palpable impact on the administration of the patent system. The Federal Circuit's ruling represents an unwarranted intrusion by the judicial branch into the internal methods and procedures of an expert executive branch administrative agency. For some time this Court has recognized, in a variety of contexts, the need for federal courts to defer to such agencies with respect to matters within the expertise of the agencies. This deference derives not from some institutional passivity but from a profound appreciation that the separation of powers restricts the role of the courts in a democratic society, and that the proper function of judicial review does not include substituting judicial policy judgments for those of the agencies charged by Congress with administering a particular program.

The Court has implemented this understanding of the judicial role in a wide range of areas. For example, the Court has frequently reiterated that reviewing courts should defer to an agency's reasonable

interpretation of its own regulations. *See, e.g., Arkansas* v. *Oklahoma*, 112 S. Ct. 1046, 1059-61 (1992); *Mullins Coal Co.* v. *Director, OWCP*, 484 U.S. 135, 159-160 (1987); *Udall* v. *Tallman*, 380 U.S. 1, 16 (1965). The reason is simple: the agency drafted the regulations, so it is in the best position to know what they mean. Courts certainly may conclude that the regulations do not comply with applicable law, but the agency generally determines what the regulation it drafted means in the first place. So too here the Federal Circuit is free to decide whether or not there has been a reduction to practice in reviewing a decision of the Board of Patent Appeals and Interferences, but the court should not intrude upon the Board's determination that it (the Board) is free to look not simply to the count it drafted but the record as well in reaching *its* decision.

This principle of deference to administrative agency interpretation of matters within agency expertise goes beyond agency interpretation of regulations. As the Court explained in *Chevron U.S.A., Inc.* v. *Natural Resources Defense Council, Inc., supra*, the federal courts should defer to an agency's reasonable interpretation of an ambiguous statute the agency is charged by Congress with enforcing. The Court recently reiterated this principle in *National R. R. Passenger Corp.* v. *Boston & Maine Corp.*, 112 S. Ct. 1394, 1401 (1992): "Judicial deference to reasonable interpretations by an agency of a statute that it administers is a dominant, well settled principle of federal law. We relied upon it in *Chevron U.S.A.* * * * and have reaffirmed it often." *See also Mobil Oil Exploration & Producing Southeast Inc.* v. *United Distribution Cos.*, 498 U.S. 211, 225 n.5 (1991); *Pen-*

sion Benefit Guar. Corp. v. *LTV Corp.*, 496 U.S. 633, 647-652 (1990); *K Mart Corp.* v. *Cartier, Inc.*, 486 U.S. 281, 292 (1988). As the Court explained the principle in *Boston & Maine*, " 'if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.' " 112 S. Ct. at 1401 (quoting *Chevron*, 467 U.S. at 843).

Congress specified in 35 U.S.C. § 135(a) the circumstances under which the Commissioner may declare an interference, and further specified that "[t]he Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability." Congress specified certain other limited aspects of an interference proceeding, but did not address in the statute whether the Board may look beyond the count it drafted in ascertaining the intended use of an invention. The statute the Board is charged with administering does not directly answer that question, although—as noted—it strongly suggests that record evidence may be considered. *See supra* at 15-16 & n.5. The Board's decision that the statute permits it to proceed in that manner was therefore entitled to deference under the *Chevron* doctrine. The Federal Circuit, however, simply substituted its view of appropriate procedure under the statute for that of the Board.[8]

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[8] The Court in *Boston & Maine* explained that the *Chevron* principle is fully applicable not only when the agency's construction takes the form of an interpretive regulation but also when the construction is a necessary predicate to its decision in a particular case: "[T]he fact that the ICC did not in so many words articulate its interpretation * * * does not mean that we

Finally, the decision below—by imposing procedural requirements on the agency that were not mandated by Congress or required by the Constitution—is inconsistent with one of this Court's leading decisions in the area of administrative law, *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519 (1978). In *Vermont Yankee*, an Administrative Procedure Act case, the Court held that "[a]gencies are free to grant additional procedural rights in the exercise of their discretion, but reviewing courts are generally not free to impose them if the agencies have not chosen to grant them." *Id.* at 524. The Court went on to explain that "[e]ven apart from the Administrative Procedure Act this Court has for more than four decades emphasized that the formulation of procedures was basically to be left within the discretion of the agencies to which Congress had confided the responsibility for substantive judgments." *Ibid.*

Here, of course, Congress has confided in the Board of Patent Appeals and Interferences the responsibility for deciding priority of inventions. 35 U.S.C. § 135(a). The formulation of procedures for doing so is therefore left to the Board. The Board's procedures permit consideration of record evidence beyond the count in ascertaining intended use. In creating the new pro-

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may not defer to that interpretation, since the only reasonable reading of the agency's opinion, and the only plausible explanation of the issues that the agency addressed * * * is that the ICC's decision was based on the proffered interpretation." 112 S. Ct. at 1403. Here the Board, in the course of issuing its decision, confirmed its understanding that the statutory authority under which it acted permitted it to look beyond the count to the record, and it in fact did so in deciding the case before it.

cedural rule that the Board may look only to the count, the court below violated the principle of *Vermont Yankee* and its precursors "cautioning reviewing courts against engrafting their own notions of proper procedures upon agencies entrusted with substantive functions by Congress." *Vermont Yankee*, 435 U.S. at 525.

This Court should grant certiorari to settle the question of whether these basic principles of administrative law apply to the Federal Circuit as they do to the other federal courts. Although the Federal Circuit is a specialized tribunal, that specialization does not carry with it license to substitute its judgment on matters of internal procedure for the judgment of the executive agencies it reviews.

That is particularly true with respect to the procedures of the Patent Office. This Court recognized a century ago that the Patent Office was "a special tribunal, entrusted with full power in the premises." *Morgan* v. *Daniels*, 153 U.S. 120 (1894). The Court in *Morgan* stated that "it must be laid down as a rule that where the question decided in the Patent Office is one between contesting parties as to priority of invention, the decision there made must be accepted as controlling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction." *Id.* at 125. Here the Federal Circuit eschewed any such deference and overturned a Patent Office decision on priority, because the court had a view different from that of the Board on the extent to which a count drafted by the Board controls the Board's own determination on the merits. The ruling below

is contrary to established precedent not only in the patent area but in the more general area of judicial review of administrative action. Unless overturned, the decision will have a significant adverse impact on administration of the patent laws.

Finally, the present case is an excellent vehicle to resolve the question presented. The case is in no sense fact-specific; the court of appeals articulated and based its decision on a generally applicable rule. The new rule is immediately applicable in all patent interference proceedings and all reviews of such proceedings in district courts across the Nation. The impact of the rule on the judgment is also clear. Both the Board and the district court, construing the count in light of the record, upheld Snyder's patent. The court of appeals invalidated it because of the court's new rule on count exclusiveness. The significant patent law issue is thus squarely presented, as is the broader question of whether a reviewing court may impose on an administrative agency procedures not mandated by Congress or the Constitution.

CONCLUSION

For the foregoing reasons, this Court should grant the petition and reverse the decision below.

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